



Purchase Orders at Year End

Submitted by the Auditor of State's Office

As school districts approach the end of the fiscal year, questions about proper use of purchase orders often arise. To assist school treasurers, this article will cover the basics of the different types of purchase orders and procedures involving purchase orders at the end of the fiscal year.

Ohio law prohibits a school district from making any contract or ordering any expenditure of money without an attached certificate of approval signed by the treasurer. The treasurer must certify the amount required has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund. Most governmental entities meet this requirement by issuing purchase orders (POs) which include language that complies with this certification requirement.

The main exceptions to this process are: "then and now" certificates, "blanket," and "super blanket" certificates. While allowable, these exceptions should not be used to circumvent budgetary requirements and/or monitoring activities of the board of education. A closer examination of these exceptions allow for better understanding of them.

A "Then and Now" certificate can be issued if the fiscal officer can certify that both at the time the order was made ("then"), and at the time the treasurer is completing the certification ("now"), sufficient funds were available, to the credit of a proper fund, properly appropriated and free

from any previous encumbrance. This allows the district to authorize the drawing of a warrant for the payment of the amount due.

Additionally, treasurers may prepare “blanket” certificates not running beyond the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor, and only one blanket certificate may be outstanding at one particular time for any one particular line item. “Blanket” certificates cannot be issued unless the board of education has approved a maximum amount for the blanket certification. Normally, blanket purchase orders are used for the purchase of a variety of items over a specified period of time from a variety of vendors such as office supplies, bus parts, classroom supplies, and other maintenance and repair items.

The district may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the treasurer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense using “super blanket” certificates. This certification is not to extend beyond the current year and more than one “super blanket” certificate may be outstanding at a particular time for any line item appropriation.

While the “blanket” and “super blanket” certificates are limited by statute not to extend beyond fiscal year end, the Auditor of State’s office interprets the word “extend” in this context as the authority to certify commitments against a regular blanket certificate or super blanket certificate that expires at year end. The district should consider these unpaid year-end commitments similar to other outstanding commitments, and reduce next year’s opening unencumbered balances for these amounts. For example, a school has a “blanket” purchase order (PO) for school bus parts which was opened on April 1, 2018. Additional parts were ordered on June 28, 2018, the parts were delivered on July 2, 2018, and invoiced that same day.

In this case, only the balance owed on the parts ordered prior to fiscal year end should remain on the fiscal year 2018 blanket PO, and the remaining unobligated balance of the blanket PO should be canceled at year-end. The school should charge the purchase and related payment from the June 28 order to the fiscal year 2018 blanket PO since that is the fiscal year when the obligation was made. However, for any parts ordered after July 1, 2018, they should be using a new fiscal year 2019 blanket PO. Additionally, districts can use regular POs for purchases to be made in June in lieu of charging a blanket or super blanket PO. This would allow the blanket or super blanket PO to be closed prior to year-end and the June regular PO could remain open past year-end.

When checking for compliance with Ohio Revised Code requirements, fiscal officers can use the Ohio Compliance Supplement, which the Auditor’s office updates annually. The compliance supplement is available on the Auditor of State’s website at [www.ohioauditor.gov/references / compliancemanuals.html](http://www.ohioauditor.gov/references/compliancemanuals.html).